

## Exhibit “1”

### TSU’s 2012 Annual Financial Report

*ANNUAL FINANCIAL REPORT*

of

**TEXAS SOUTHERN UNIVERSITY**

(An Agency of the State of Texas)

**For the Year Ended  
August 31, 2012**

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# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

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For the Year Ended August 31, 2012

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## **INTRODUCTORY SECTION**

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# TEXAS SOUTHERN UNIVERSITY

3100 CLEBURNE STREET • HOUSTON, TEXAS 77004

713-313-7011

VICE PRESIDENT  
DIVISION OF ADMINISTRATION & FINANCE  
OFFICE: 713-313-7302; FAX: 713-313-7070

November 16, 2012

The Honorable Glenn O. Lewis, Chairman  
TSU Board of Regents  
3100 Cleburne Street  
Hannah Hall, Room 104  
Houston, TX 77004

We are pleased to submit this independently audited Annual Financial Report for the fiscal year ended August 31, 2012 for Texas Southern University ("TSU").

TSU's administration is responsible for establishing and maintaining internal controls designed to ensure that the assets of the university are protected from loss, theft, or misuse. Management also ensures that adequate accounting processes are in place to allow for the preparation of financial statements, in conformity with governmental accounting standards. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits expected to be derived, and (2) the evaluation of cost and benefits require estimates and judgments by management.

We believe TSU's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented, or would be detected within a timely period, by employees in the normal course of performing their assigned function.

TSU is one of the nations largest Historically Black Colleges and Universities and possesses an impressive array of undergraduate and graduate programs, a diverse faculty, 80-plus student organizations, and an alumni network comprised of educators, entrepreneurs, public servants, lawyers, pilots, artist and more. The campus encompasses 150 acres and serves as a cornerstone for developing the greatest potential in leaders from various socio-economic, cultural and racial backgrounds.



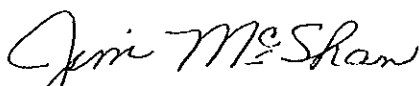
Texas Southern University is located in Houston, Texas-the seat of Harris County (the most populous county in the state), the fourth largest city in the US, and one of the fastest-growing and forward-moving cities in the world. Houston's economy is based on petrochemicals, shipping, refining, chemicals, space exploration, manufacturing, education, and tourism. As residents of this international city, Texas Southern students are afforded numerous and unique opportunities and experiences.

TSU is situated in the heart of the city, in Houston's historic Third Ward, giving its students and faculty easy access to the Museum District, neighboring educational institutions (Houston Community College, the University of Houston, Rice University, and the University of St. Thomas), the Texas Medical Center, City Hall, downtown Houston, and all of the city's major freeways.

The preparation of this report was accomplished with the dedicated services of the entire accounting staff and the cooperation of other departments within Business Affairs. We would like to express our appreciation to all members within the Division of Administration and Finance, Internal Audit staff, and others who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Regents and the State of Texas for their continued interest and support in planning and conducting the financial operations of TSU in a responsible and professional manner.

This financial report is designed to provide a general overview of Texas Southern University's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Business Affairs, 3100 Cleburne Street, Suite 145, Houston, TX 77004-4501.

Sincerely,

A handwritten signature in cursive script that reads "Jim McShan".

Jim C. McShan  
Vice President for Administration and Finance

**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
**BOARD OF REGENTS**  
August 31, 2012

**Officers**

Glenn O. Lewis, Chair  
Dionicio Flores, Vice Chair  
Curtistene McCowan, Second Vice Chair  
Richard C. Holland, Secretary

**Members**

Glenn O. Lewis, Chair  
Richard C. Holland, Secretary  
Erik D. Salwen

Fort Worth  
Plano  
Houston

Terms Expire February 1, 2013

Dionicio Flores, Vice Chair  
Curtistene McCowan, Second Vice Chair  
Marilyn A. Rose

El Paso  
De Soto  
Houston

Terms Expire February 1, 2015

Gary Bledsoe  
Samuel Bryant  
Richard Knight, Jr

Austin  
Austin  
Dallas

Terms Expire February 1, 2017

Juan A. Sorto, Student Regent

Houston

Term Expires May 31, 2013

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# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## UNIVERSITY ADMINISTRATION

August 31, 2012

### University Administration

John M. Rudley, Ed.D	President
Sunny E. Ohia, Ph.D	Provost/Vice President for Academic Affairs and Research
Jim C. McShan, CPA	Vice President for Administration and Finance
James M. Douglas, Ph.D	Vice President of Governmental Relations and Community Affairs
William T. Saunders, J.D.	Vice President for Student Services and Dean of Students
Andrew C. Hughey, J.D.	General Counsel
Wendy H. Adair	Vice President for University Advancement
Charles F. McClelland, Ph.D	Director of Athletics
Janis J. Newman	Chief of Staff
Rasoul Saneifard, Ph.D	Chair, Faculty Assembly/Senate

### Fiscal Administration

Altaf Rajan, CPA	Executive Director of Business Affairs
Gregory L. Williams	Executive Director of Procurement Services
Louis Edwards	Associate Vice President of Treasury and Budget
Lavonda Horn	Director of General Accounting

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## **FINANCIAL SECTION**

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## *INDEPENDENT AUDITORS' REPORT*

To the Board of Regents of  
Texas Southern University:

We have audited the accompanying financial statements of Texas Southern University (TSU), an Agency of the State of Texas, as of and for the year ended August 31, 2012, which collectively comprise TSU's basic financial statements as listed in the table of contents. These financial statements are the responsibility of TSU's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of TSU are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State of Texas that is attributable to the transactions of TSU. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2012, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of TSU as of August 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2012 on our consideration of TSU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

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**Partners**

Robert Belt, CPA  
Stephanie E. Harris, CPA  
Nathan Krupke, CPA

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The Management's Discussion and Analysis and Schedule of Operating Expenses are not required parts of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise TSU's financial statements as a whole. The introductory section and the schedules identified as 1A, 1B, 2A, 2B, 2C, and 2D in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. Schedules 1A, 1B, 2A, 2B, 2C, and 2D are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP  
*Certified Public Accountants*  
Houston, Texas  
November 12, 2012

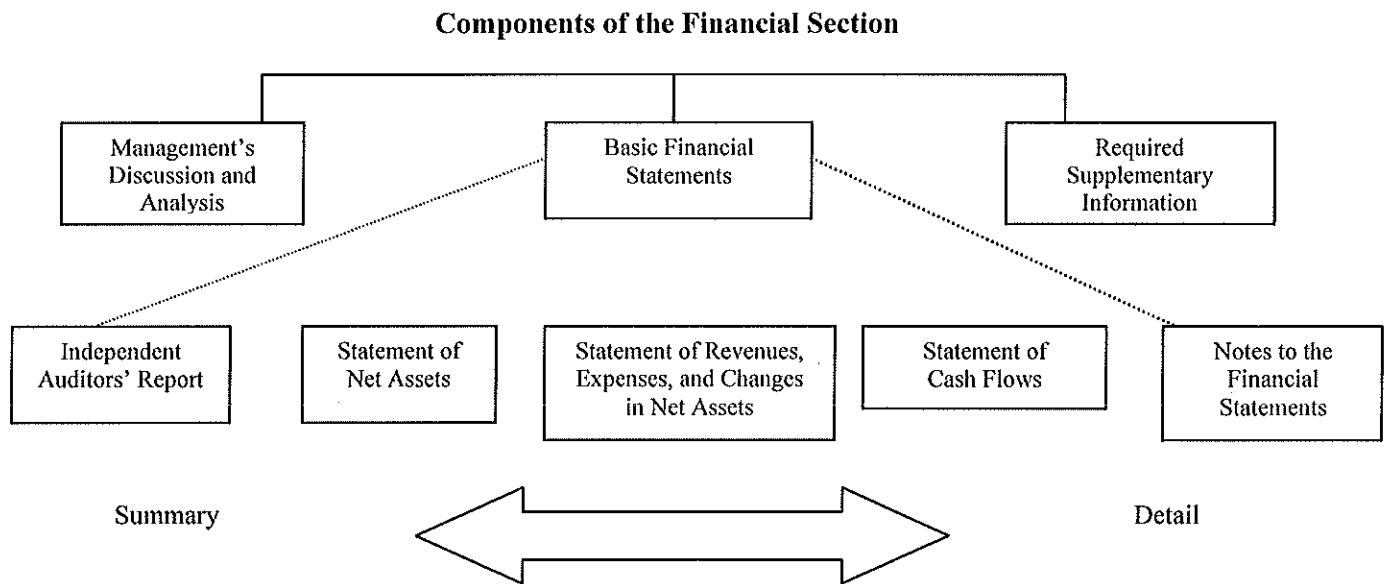
# **MANAGEMENT'S DISCUSSION** **AND ANALYSIS**

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**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
For the year ended August 31, 2012

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the annual financial activities of Texas Southern University (TSU). The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of TSU's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. GASB Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with TSU's financial statements, which follow this document.

## THE STRUCTURE OF OUR ANNUAL REPORT



The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires certain basic financial statements as well as an MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include statement of net assets; statement of revenues, expenses, and changes in net assets; statement of cash flows; and notes to the financial statements.

## **Basic Financial Statements**

The basic financial statements report information for TSU as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of TSU as an economic entity. The statement of net assets and the statement of revenues, expenses, and changes in net assets, which appear first in the financial statements, report information on TSU's activities that enable the reader to understand the financial condition of TSU. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**August 31, 2012**

The statement of net assets presents information on all of TSU's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of TSU is improving or deteriorating. Other nonfinancial factors, such as TSU's customer base and the condition of TSU's infrastructure, need to be considered to assess the overall health of TSU.

The statement of revenues, expenses, and changes in net assets presents information showing how TSU's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method.

The statement of cash flows presents information about TSU's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balances during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The basic financial statements can be found after the MD&A within this report.

#### **FINANCIAL ANALYSIS OF TSU**

As noted earlier, net assets may serve over time as a useful indicator of TSU's financial position. Assets exceed liabilities by \$148,106,943.46 as of August 31, 2012. As required by GASB Statement No. 34, a comparative analysis has been presented as a component of the MD&A. The largest portion of TSU's net assets (44 percent) reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. TSU uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although TSU's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**TEXAS SOUTHERN UNIVERSITY**  
**(An Agency of the State of Texas)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**August 31, 2012**

**Condensed Statement of Net Assets**

The following table reflects the condensed Statement of Net Assets:

**CONDENSED STATEMENT OF NET ASSETS**

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 83,608,154.19	\$ 99,706,057.35
Restricted assets	83,696,650.68	77,918,312.16
Capital assets, net	<u>244,004,780.65</u>	<u>179,697,084.58</u>
<b>Total Assets</b>	<u>411,309,585.52</u>	<u>357,321,454.09</u>
Current liabilities	96,362,406.21	97,577,051.28
Noncurrent liabilities	<u>166,840,235.85</u>	<u>119,789,533.21</u>
<b>Total Liabilities</b>	<u>263,202,642.06</u>	<u>217,366,584.49</u>
Invested in capital assets, net of related debt	65,279,253.43	50,524,453.25
Restricted for:		
Capital projects	-	9,827,017.64
Debt service	2,817,865.97	2,212,772.49
Other	36,623,670.97	33,998,968.20
Unrestricted	<u>43,386,153.09</u>	<u>43,391,658.02</u>
<b>Total Net Assets</b>	<u>\$ 148,106,943.46</u>	<u>\$ 139,954,869.60</u>

Unrestricted net assets decreased by \$5,504.93 from \$43,391,658.02 to \$43,386,153.09 at year end. Unrestricted net assets are assets that can be used to finance day-to-day operations without constraints established by debt covenants and enabling legislation. The majority of this decrease can be attributed to normal business operational activities.

**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
 August 31, 2012

**Statement of Revenues, Expenses, and Changes in Net Assets**

<b><u>Operating Revenues</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Tuition and fees, pledged	\$ 82,526,344.76	\$ 82,995,832.95
Discount on tuition and fees	(20,716,408.45)	(25,028,288.30)
Auxiliary enterprises, pledged	11,919,226.85	8,996,962.66
Other sales of goods and services, pledged	226,208.38	18,956.06
Federal revenue	40,089,680.82	44,945,212.20
Federal pass through revenue	3,363,800.01	2,472,982.67
State revenue	1,233,369.85	4,246,178.32
State pass through revenue	7,705,766.37	6,566,174.46
Other operating contract and grants, pledged	894,336.29	909,196.47
Other operating revenue	4,783,422.89	4,837,181.32
<b>Total Operating Revenues</b>	<b>132,025,747.77</b>	<b>130,960,388.81</b>
<b><u>Operating Expenses</u></b>		
Salaries and wages	89,577,892.90	89,549,622.30
Payroll related costs	21,188,258.73	20,689,213.82
Professional fees and services	6,818,234.33	9,204,597.92
Travel	3,438,617.13	2,977,531.08
Materials and supplies	11,768,528.56	11,149,178.46
Communication and utilities	6,213,944.62	6,861,485.30
Repairs and maintenance	4,488,254.99	5,258,096.71
Rentals and leases	2,457,481.80	2,543,897.76
Printing and reproductions	716,404.32	554,256.61
Federal pass through expenditures	125,864.42	31,473.33
Bad debt expense	2,175,210.81	2,175,970.90
Scholarships	26,616,254.54	28,029,175.32
Other operating expenses	10,682,430.20	13,972,909.95
Depreciation	17,327,229.47	13,501,068.16
<b>Total Operating Expenses</b>	<b>203,594,606.82</b>	<b>206,498,477.62</b>
<b>Operating (Loss)</b>	<b>\$ (71,568,859.05)</b>	<b>\$ (75,538,088.81)</b>

**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
 August 31, 2012

<b><u>Nonoperating Revenues (Expenses)</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
State appropriations	\$ 52,541,654.00	\$ 54,863,698.00
Additional appropriations	9,512,275.38	10,302,617.48
Gifts received	2,112,119.55	666,559.42
Interest income	1,681,053.78	1,633,697.21
Investing expenses	(277,319.40)	(242,810.00)
Interest expense	(7,630,160.26)	(5,815,479.26)
Net increase in fair value of investments	3,283,765.71	3,146,802.01
Other non-operating	10,208,611.28	(4,218,167.68)
<b>Total Nonoperating Revenues</b>	<b><u>71,432,000.04</u></b>	<b><u>60,336,917.18</u></b>
 <b>Income Before Other Revenues, Gains, and Transfers</b>	 <b><u>(136,859.01)</u></b>	 <b><u>(15,201,171.63)</u></b>
 <b><u>Other Revenues, Expenses, and Transfers</u></b>		
Capital appropriations, HEAF	8,894,700.00	8,894,700.00
Additions to endowments	151,336.76	64,057.56
Lapsed appropriations	(52,072.48)	(558.48)
Transfer to state	(705,031.41)	(676,015.30)
<b>Total Other Revenues, Expenses, and Transfers</b>	<b><u>8,288,932.87</u></b>	<b><u>8,282,183.78</u></b>
 <b>Change in Net Assets</b>	 <b><u>8,152,073.86</u></b>	 <b><u>(6,918,987.85)</u></b>
Beginning net assets	<u>139,954,869.60</u>	<u>146,873,857.45</u>
 <b>Ending Net Assets</b>	 <b><u>\$ 148,106,943.46</u></b>	 <b><u>\$ 139,954,869.60</u></b>

For the year ended August 31, 2012, total revenue was \$220,359,191.55. Total revenue increased by \$14,721,412.52 (or 7 percent). TSU's total net assets increased by \$8,152,073.86 (or 6 percent). This primary increase was due to revenue from auxiliary enterprise housing units purchased in fiscal year 2012 and the close-out of existing bonds for these properties and the parking garage.



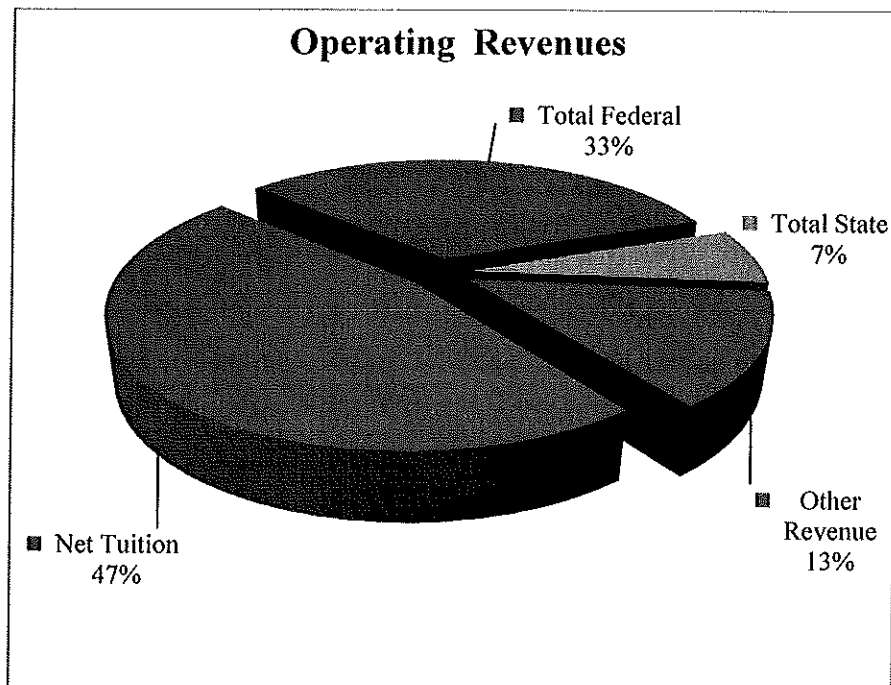
**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
August 31, 2012

Expenses totaled \$212,207,117.89 for the year ended August 31, 2012. This represents a decrease of \$349,648.99 from last year. The majority of this decrease can be attributed to decreases in scholarships related to Pell awards, as well as a decrease in professional fees and services.

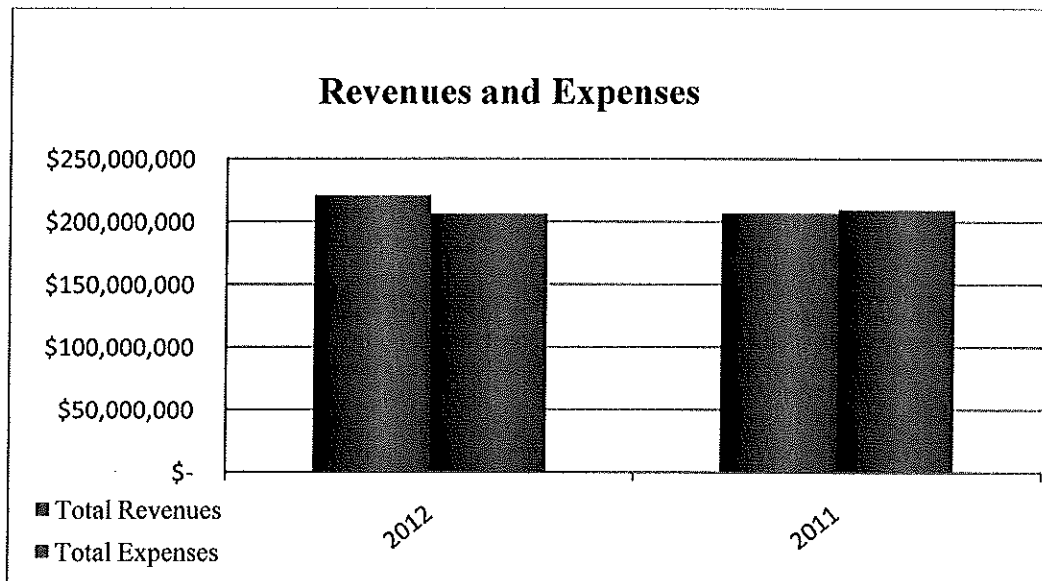
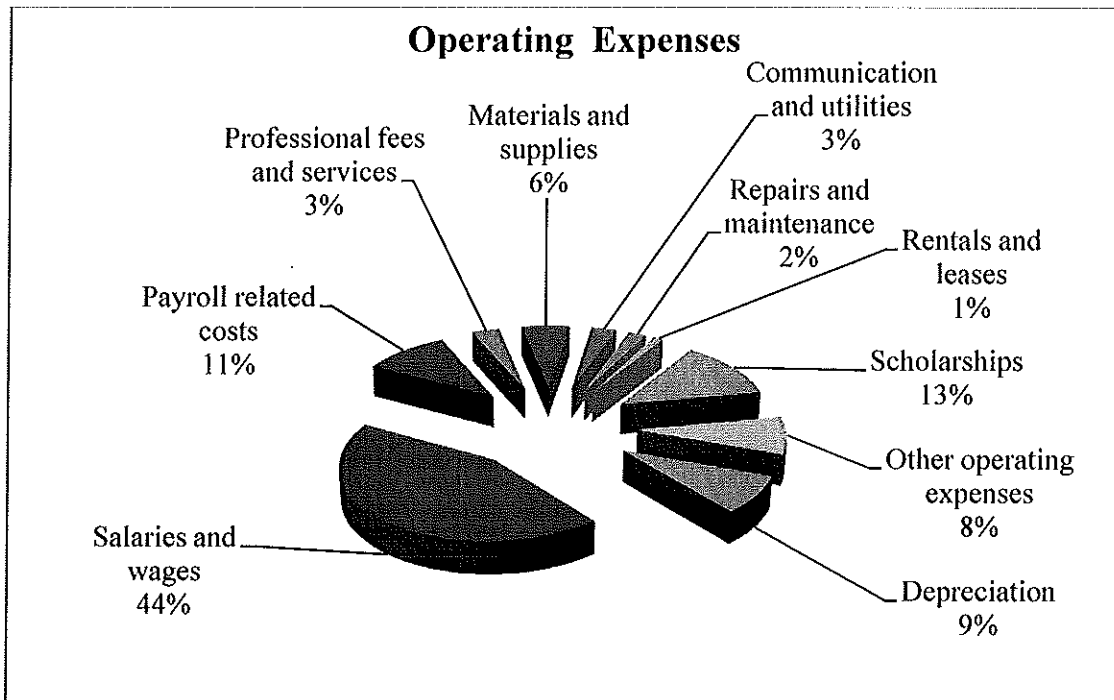
Key elements to these changes are as follows:

- Operating revenues increased by \$1,065,358.96 (1 percent) due to auxiliary enterprise housing unit revenue in fiscal year 2012.
- Non-operating revenues increased by \$12,980,041.46 (17 percent) due to an increase auxiliary enterprise housing unit revenue in fiscal year 2012.
- Operating expenses decreased by \$6,730,032.11 (3 percent) as a result of a decrease in the amount of scholarships awarded to students and external professional services fee in fiscal year 2012.
- Non-operating expenses increased by \$1,879,208.51 (28 percent) due to an increase in the fair value of investments in fiscal year 2012.
- Depreciation expense increased \$3,826,161.31 (28 percent) due to housing units, parking garage and Gift-In-Kind capital asset additions.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of TSU's activities.



**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
 August 31, 2012



**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**August 31, 2012**

**CAPITAL ASSETS**

At year end, TSU had invested \$244,004,780.65 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$64,307,696.07.

Major capital asset events during the current year include the following:

- Building improvements completed at a cost of \$1,384,959.00 and building purchase of a residential housing complex and parking garage at a cost of \$64,567,502.17.
- Various building renovations and equipment were added as construction in progress at a total cost of \$11,453,335.30.
- Construction is about to commence on the new residential housing unit estimated to cost \$55 million in fiscal year 2013.

More detailed information about TSU's capital assets is presented in the notes to the financial statements.

**LONG-TERM DEBT**

TSU's revenue bonds carry the rating of "Baa1" with Moody's Investors Service. At year end, TSU had \$101,709,725.46 in revenue bonds outstanding versus \$109,360,522.54 last year. TSU had \$14,261,189.86 in general obligation bonds outstanding compared to \$19,091,784.79 last year. A new loan from Department of Education for \$64 million to purchase Housing Units and a Parking garage was taken out during fiscal year 2012. More detailed information about TSU's long-term liabilities is presented in the notes to the financial statements.

**ECONOMIC FACTORS**

TSU's revenue declined in fiscal year 2012 due to reductions in State funding across the board including decreases in State and additional appropriations. In addition to State funding, TSU received less Federal grant awards for scholarships to students.

**CONTACTING TSU'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our students, alumni, citizens, taxpayers, and creditors with a general overview of TSU's finances and to show TSU's accountability for the money it received. If you have questions about this report or need additional financial information, contact the Texas Southern University Finance Department, 3100 Cleburne Street, Houston, Texas 77004.

## **BASIC FINANCIAL STATEMENTS**

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## STATEMENT OF NET ASSETS

August 31, 2012

Description	Amount
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Current Unrestricted Assets</b>	
Cash on hand	\$ 2,225.50
Cash in bank	15,581,751.83
Cash in state treasury	6,650,932.50
Balance in state appropriations	6,680,597.13
Accounts receivable, net	20,329,946.36
Due from federal government	7,751,000.40
Due from state government	5,806,347.39
Other receivables	122,293.65
Gifts receivable, net	600,000.00
Due from other agencies	11,835.69
Inventories	200,774.68
Prepaid items	17,065,147.60
<b>Total Current Unrestricted Assets</b>	<b>80,802,852.73</b>
<b>Current Restricted Assets</b>	
Current restricted cash	442,803.68
Current restricted cash equivalents	25,687,071.20
Investments	18,504,239.80
<b>Total Current Restricted Assets</b>	<b>44,634,114.68</b>
<b>Total Current Assets</b>	<b>125,436,967.41</b>
<b>Non-Current Assets</b>	
<b>Non-Current Restricted Assets</b>	
Non-current investments	39,062,536.00
<b>Total Non-Current Restricted Assets</b>	<b>39,062,536.00</b>
<b>Non-Current Unrestricted Assets</b>	
Notes receivable, net	1,850,245.51
Deferred charges	955,055.95
<b>Non-depreciable capital assets:</b>	
Land	16,948,833.71
Construction in progress	11,453,355.30
Historical treasures and works of art	2,868,943.42
<b>Total Non-Depreciable Capital Assets</b>	<b>31,271,132.43</b>
<b>Depreciable Capital Assets</b>	
Buildings and building improvements	377,413,076.09
Infrastructure	6,528,360.95
Equipment	24,297,747.40
Library books	29,528,181.22
Less accumulated depreciation	(225,033,717.44)
<b>Total Depreciable Capital Assets, Net</b>	<b>212,733,648.22</b>
<b>Total Non-Current Unrestricted Assets</b>	<b>246,810,082.11</b>
<b>Total Non-Current Assets</b>	<b>285,872,618.11</b>
<b>TOTAL ASSETS</b>	<b>\$ 411,309,585.52</b>

See Notes to Financial Statements.

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## STATEMENT OF NET ASSETS (Continued)

August 31, 2012

Description	Amount
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 8,557,902.76
Salaries payable	7,116,075.29
Due to other agencies	35,503.83
Interest payable	1,990,461.66
Escheat payable	406,913.19
Deferred revenue	46,994,962.77
Student refunds payable	2,393,412.65
Other payables	8,101,174.43
Due to Perkins Loan Program	2,723,048.00
Notes payable due in one year	2,461,725.84
Revenue bonds due in one year	
(net of premiums and discounts)	7,986,738.19
General obligation bonds due in one year	
(net of premiums and discounts)	5,020,594.93
Compensated absences payable due in one year	2,573,892.67
<b>Total Current Liabilities</b>	<b>96,362,406.21</b>
<b>Non-Current Liabilities</b>	
Notes payable due in more than one year	61,043,715.86
Revenue bonds due in more than one year	
(net of premiums and discounts)	93,722,987.27
General obligation bonds due in more than one year	
(net of premiums and discounts)	9,240,594.93
Compensated absences payable due in more than one year	2,765,762.41
Arbitrage payable	67,175.38
<b>Total Non-Current Liabilities</b>	<b>166,840,235.85</b>
<b>TOTAL LIABILITIES</b>	<b>263,202,642.06</b>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	65,279,253.43
Restricted for:	
Debt service	2,817,865.97
Other purposes	65,392.26
Endowments	36,558,278.71
Unrestricted	43,386,153.09
<b>TOTAL NET ASSETS</b>	<b>\$ 148,106,943.46</b>

See Notes to Financial Statements.

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended August 31, 2012

Description	Amount
<b>OPERATING REVENUES</b>	
Tuition and fees, pledged	\$ 82,526,344.76
Discount on tuition and fees	(20,716,408.45)
Auxiliary enterprises, pledged	11,919,226.85
Other sales of goods and services, pledged	226,208.38
Federal revenue	40,089,680.82
Federal pass through revenue	3,363,800.01
State revenue	1,233,369.85
State pass through revenue	7,705,766.37
Other operating contract and grants, pledged	894,336.29
Other operating revenue	4,783,422.89
<b>Total Operating Revenues</b>	<b>132,025,747.77</b>
<b>OPERATING EXPENSES</b>	
Salaries and wages	89,577,892.90
Payroll related costs	21,188,258.73
Professional fees and services	6,818,234.33
Travel	3,438,617.13
Materials and supplies	11,768,528.56
Communication and utilities	6,213,944.62
Repairs and maintenance	4,488,254.99
Rentals and leases	2,457,481.80
Printing and reproductions	716,404.32
Federal pass through expenditures	125,864.42
Bad debt expense	2,175,210.81
Scholarships	26,616,254.54
Other operating expenses	10,682,430.20
Depreciation and amortization	17,327,229.47
<b>Total Operating Expenses</b>	<b>203,594,606.82</b>
<b>Total Operating (Loss)</b>	<b>\$ (71,568,859.05)</b>

See Notes to Financial Statements.

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (Continued)

For the year ended August 31, 2012

Description	Amount
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
State appropriations	\$ 52,541,654.00
Additional appropriations	9,512,275.38
Gifts received	2,112,119.55
Interest income	1,681,053.78
Investing expenses	(277,319.40)
Interest expense	(7,630,160.26)
Net increase in fair value of investments	3,283,765.71
Other non-operating	10,208,611.28
<b>Total Non-Operating Revenues</b>	<b>71,432,000.04</b>
 (Loss) Before Other Revenues, Expenses, Gains & Transfers	 (136,859.01)
<b>OTHER REVENUES, EXPENSES, &amp; TRANSFERS</b>	
Capital appropriations, HEAF	8,894,700.00
Additions to endowments	151,336.76
Returned lapsed appropriations	(52,072.48)
Transfer to state	(705,031.41)
<b>Total Other Revenues, Expenses, &amp; Transfers</b>	<b>8,288,932.87</b>
 Change in Net Assets	 8,152,073.86
 Beginning Net Assets	 139,954,869.60
 Ending Net Assets	 \$ 148,106,943.46

See Notes to Financial Statements.



# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## STATEMENT OF CASH FLOWS

For the year ended August 31, 2012

<b><u>Cash Flows from Operating Activities</u></b>	<b>2012</b>
Proceeds from tuition and fees	\$ 58,596,616.56
Proceeds from auxiliary enterprises	11,919,226.85
Proceeds from federal grants and contracts	55,860,922.27
Proceeds from state grants and contracts	3,147,817.09
Proceeds from other revenues	1,073,934.08
Payments to employees for salaries and wages	(88,831,744.92)
Payments for employee related costs	(21,155,623.00)
Payments for other expenses	(75,655,626.99)
<b>Net Cash (Used) by Operating Activities</b>	<b>(55,044,478.06)</b>
 <b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Receipts from state appropriations	80,771,997.81
Receipts from gifts and endowments	3,053,456.31
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>83,825,454.12</b>
 <b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Acquisition and construction of capital assets	(80,758,909.43)
Principal paid on capital debt	(14,035,550.10)
Interest and fiscal agent fees paid	(7,699,489.10)
Loan receipts	64,180,000.00
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(38,313,948.63)</b>
 <b><u>Cash Flows from Investing Activities</u></b>	
Sale of investments	447,828.00
Purchase of investments	(11,096,717.50)
Payments received on notes receivable	453,388.15
Interest received	1,403,734.38
<b>Net Cash (Used) by Investing Activities</b>	<b>(8,791,766.97)</b>
 <b>Net (Decrease) in Cash and Cash Equivalents</b>	<b>(18,324,739.54)</b>
 Beginning cash and cash equivalents	66,689,524.25
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 48,364,784.71</b>
 Unrestricted cash and cash equivalents	22,234,909.83
Restricted cash and cash equivalents	26,129,874.88
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 48,364,784.71</b>

See Notes to Financial Statements.

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## STATEMENT OF CASH FLOWS (Continued)

For the year ended August 31, 2012

Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	2012
Operating (Loss)	\$ (71,568,859.05)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation	17,327,229.47
<b>Changes in Operating Assets and Liabilities:</b>	
<b>(Increase) Decrease in:</b>	
Accounts receivable, net	(9,012,467.61)
Due from federal government	12,407,441.44
Other receivables	7,399.29
Inventories	(5,999.56)
Prepaid items	1,253,891.41
<b>Increase (Decrease) in:</b>	
Accounts payable	3,838,368.28
Salaries payable	230,315.28
Due to state	32,635.73
Escheat payable	(34,873.52)
Deferred revenue	(4,837,432.77)
Student refunds payable	7,828.73
Other current liabilities	(5,205,787.88)
Compensated absences	515,832.70
<b>Net Cash (Used) by Operating Activities</b>	<b>\$ (55,044,478.06)</b>

See Notes to Financial Statements.

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# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2012

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Texas Southern University (TSU), reported as a business-type activity in the State of Texas' Comprehensive Annual Financial Report, have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units and with State statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

TSU's annual financial report is prepared to satisfy both the requirements of GAAP and the Texas Comptroller of Public Accounts' (the Comptroller) requirements as specified in the Comptroller's *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*. The Comptroller specifies, among other items, account captions, note organization, and does not allow the rounding of financial statement amounts to whole dollars.

The most significant accounting and reporting policies of TSU are described in the following notes to the financial statements.

#### A. Reporting Entity

TSU is an agency of the State of Texas the "State". TSU serves the State by providing education, research, and extension work in the fields of the arts, business, education, law, pharmacy, public affairs, science, and technology. No component units have been identified which should be presented within TSU's report.

#### B. Financial Statement Presentation

These financial statements include implementation of (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of TSU's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of TSU's activities.

Statement No. 35 established standards for external financial reporting for all public colleges and universities, which includes a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt** - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
For the Year Ended August 31, 2012

- **Unrestricted** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**C. Measurement Focus and Basis of Accounting**

For financial reporting purposes, TSU is considered a special-purpose government engaged only in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, TSU's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. TSU applies all GASB pronouncements and applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989. Subsequent to this date, TSU accounts for its activities as presented by GASB.

**D. Budgets and Budgetary Accounting**

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriation Act). Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

**E. Assets, Liabilities, and Net Assets**

**1. Cash and Cash Equivalents**

TSU's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Balance in State Appropriations**

This item represents the balance of general revenue funds at August 31, 2012 as calculated in the Texas Comptroller's General Revenue Reconciliation.

**3. Current Receivables – Other**

Other receivables include year-end accruals. All receivables are shown net of an allowance for uncollectible accounts.

**4. Investments**

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, TSU reports all investments at fair value. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

**5. Restricted Assets**

Restricted assets include monies or other resources restricted by legal or contractual requirements, including those related to sponsored programs, donors, bond covenants, and loan agreements. Restricted assets are utilized first where applicable.

**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
 For the Year Ended August 31, 2012

**6. Inventories and Prepaid Items**

Inventories are valued at cost, utilizing the first-in and first-out method. The consumption method of accounting is used, meaning these items are expensed when the items are consumed. Certain payments to vendors made in advance of the scheduled due date have been recorded as prepaid items.

**7. Capital Assets**

Capital assets are defined by the State as follows:

<u><b>Class of Asset</b></u>	<u><b>Threshold</b></u>
Land and Land Improvements	Capitalize all
Buildings and Building Improvements	\$100,000
Facilities and Other Improvements	\$100,000
Infrastructure-Depreciable	\$500,000
Infrastructure-Non-Depreciable	Capitalize all
Furniture and Equipment/Vehicles	\$5,000
Library Books (collections)	Capitalize all
Works of Art/Historical Treasures	Capitalize all
Leasehold Improvements	\$100,000
Internally Generated Computer Software	\$1,000,000
Other Computer Software	\$100,000
Land Use Rights – Permanent	Capitalize all
Land Use Right – Term	\$100,000
Other Intangible Capital Assets	\$100,000
Construction in Progress	Capitalize all

These assets are capitalized at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is reported on all exhaustible assets. Inexhaustible assets such as works of art and historical treasures are not depreciated. Assets are depreciated or amortized over the estimated useful life of the asset using the straight-line method over the following estimated useful years:

<u><b>Asset Description</b></u>	<u><b>Estimated Useful Life</b></u>
Buildings and improvements	15 to 50 years
Machinery and equipment	3 to 10 years
Infrastructure	30 to 50 years
Computer software	5 to 6 years
Land use rights	10 years
Capital leases	5 years

**8. Accounts Payable**

Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

**TEXAS SOUTHERN UNIVERSITY**  
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**NOTES TO FINANCIAL STATEMENTS, Continued**  
For the Year Ended August 31, 2012

**9. Compensated Absences**

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

**10. Bonds Payable – General Obligation Bonds**

General obligation bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter) in the statement of net assets. The bonds are reported at par, net of unamortized premiums, discounts, issuance costs, and gains (losses) on bond refunding activities, if applicable.

**11. Bonds Payable – Revenue Bonds**

Revenue bonds are reported as short-term liabilities (current for amounts due within one year) and long-term liabilities (noncurrent for amounts due thereafter in the statement of net assets). The bonds are reported at par, net of unamortized premiums, discounts, issuance costs and gains (losses) on bond refunding activities, if applicable.

**12. Net Assets**

The difference between fund assets and liabilities is net assets.

**F. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G. Operating versus Non-operating Revenues**

TSU categorizes revenues as operating versus non-operating following the Comptroller's guidelines. Generally, all revenues are considered operating revenue unless they are non-exchange transactions, such as State appropriation, gifts, or investment related earnings.

**H. Restricted versus Unrestricted Resources**

Expenses incurred by TSU for items that could be applied to restricted or unrestricted sources are first applied to unrestricted sources, unless such items were specifically budgeted for use from a restricted source.

**I. Economic Dependency**

TSU relies extensively on State appropriations as well as resources from grantor agencies to support its operations.

**TEXAS SOUTHERN UNIVERSITY**  
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**NOTES TO FINANCIAL STATEMENTS, Continued**  
**For the Year Ended August 31, 2012**

**NOTE 2: CAPITAL ASSETS**

A summary of changes in capital assets for the year ended August 31, 2012 is as follows:

	Balance 9/1/2011	Reclassify Adjusted	Reclassify Completed CIP	Reclassify Int' agy Trf	Additions	Deletions	Balance 8/31/2012
<b>Non-depreciable or Non-amortizable Assets</b>							
Land and Land Improvements	\$ 16,000,028.13	\$ -	\$ -	\$ -	\$ 948,805.58	\$ -	\$ 16,948,833.71
Construction in Progress	2,635,585.19	-	(2,054,430.85)	-	11,011,837.63	(139,636.67)	11,453,355.30
Other Tangible Capital Assets	2,868,943.42	-	-	-	-	-	2,868,943.42
<b>Total Non-depreciable/amortizable</b>	<b>21,504,556.74</b>	<b>-</b>	<b>(2,054,430.85)</b>	<b>-</b>	<b>11,960,643.21</b>	<b>(139,636.67)</b>	<b>31,271,132.43</b>
<b>Depreciable Assets</b>							
Buildings and Building Improvements	298,793,655.12	-	1,384,959.00	-	64,567,502.17	(3,822,510.67)	360,923,605.62
Infrastructure	6,528,360.95	-	-	-	-	-	6,528,360.95
Facilities and Other Improvements	15,269,065.47	-	-	-	205,831.00	-	15,474,896.47
Furniture and Equipment	21,885,473.04	-	669,471.85	41,453.62	1,273,759.23	(1,839,139.30)	22,031,018.44
Vehicle, Boats and Aircraft	1,634,384.34	-	-	-	175,068.09	(22,627.85)	1,786,824.58
Other Capital Assets	30,206,272.28	-	-	-	3,555,701.03	(3,219,218.09)	30,542,755.22
<b>Total Depreciable Assets</b>	<b>374,317,211.20</b>	<b>-</b>	<b>2,054,430.85</b>	<b>41,453.62</b>	<b>69,777,861.52</b>	<b>(8,903,495.91)</b>	<b>437,287,461.28</b>
<b>Less Accumulated Depreciation for:</b>							
Buildings and Building Improvements	(173,568,536.47)	-	-	-	(9,879,629.32)	948,885.39	(182,499,280.40)
Infrastructure	(1,165,968.19)	-	-	-	(312,191.52)	-	(1,478,159.71)
Facilities and Other Improvements	(10,383,664.23)	-	-	-	(270,689.84)	-	(10,654,354.07)
Furniture and Equipment	(13,099,621.54)	88.17	-	(3,931.29)	(2,050,962.58)	1,654,197.97	(13,500,229.27)
Vehicle, Boats, and Aircraft	(1,068,387.11)	-	-	-	(133,309.98)	22,627.85	(1,179,069.24)
Other Capital Assets	(17,139,301.55)	-	-	-	(1,535,907.51)	3,227,673.40	(15,447,535.66)
<b>Total Accumulated Depreciation</b>	<b>(216,425,479.09)</b>	<b>88.17</b>	<b>-</b>	<b>(3,931.29)</b>	<b>(14,182,690.75)</b>	<b>5,853,384.61</b>	<b>(224,758,628.35)</b>
<b>Depreciable Assets, Net</b>	<b>157,891,732.11</b>	<b>88.17</b>	<b>2,054,430.85</b>	<b>37,522.33</b>	<b>55,595,170.77</b>	<b>(3,050,111.30)</b>	<b>212,528,832.93</b>
<b>Intangible Capital Assets- Amortizable</b>							
Computer Software - Intangible	479,904.38	-	-	-	-	-	479,904.38
<b>Total Intangible Capital Assets</b>	<b>479,904.38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>479,904.38</b>
<b>Less Accumulated Amortization for:</b>							
Computer Software - Intangible	(179,108.65)	-	-	-	(95,980.44)	-	(275,089.09)
<b>Total Accumulated Amortization</b>	<b>(179,108.65)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(95,980.44)</b>	<b>-</b>	<b>(275,089.09)</b>
<b>Intangible Capital Assets</b>	<b>300,795.73</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(95,980.44)</b>	<b>-</b>	<b>204,815.29</b>
<b>Activities Capital Assets - Net.</b>	<b>\$ 179,697,084.58</b>	<b>\$ 88.17</b>	<b>\$ -</b>	<b>\$ 37,522.33</b>	<b>\$ 67,459,833.54</b>	<b>\$ (3,189,747.97)</b>	<b>\$ 244,004,780.65</b>



**TEXAS SOUTHERN UNIVERSITY**  
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**NOTES TO FINANCIAL STATEMENTS, Continued**  
**For the Year Ended August 31, 2012**

Construction commitments outstanding at year end were as follows:

<b>Bldg No. Project Description/ Project Manager</b>	<b>Overall Project Budget</b>	<b>Total Spent To Date</b>	<b>Remaining Balance</b>
125 Central Plant / Chiller and Pump Replacement Project	\$ 258,360.00	\$ 257,028.96	\$ 1,331.04
125 Central Plant / Chiller and Pump Replacement Project	175,250.00	141,250.00	34,000.00
125 Central Plant / Chiller and Pump Replacement Project	2,812,000.00	2,626,168.08	185,831.92
125 Central Plant / Chiller and Pump Replacement Project	686,400.00	548,595.00	137,805.00
164 Health& Physical Education Hurricane IKE door repairs	326,377.00	281,460.21	44,916.79
163 New Technology Building	32,249,431.05	2,431,606.43	29,817,824.62
114 University Courtyard HVAC installation	533,136.00	336,160.59	196,975.41
115 Tierwester Oaks HVAC installation	892,324.00	806,462.49	85,861.51
114 Tierwester Oaks Carpentry	450,350.00	261,057.08	189,292.92
115 University Courtyard Oaks Carpentry	265,250.00	211,726.66	53,523.34
148 Sterling Student Life Center IKE Repairs	1,766,619.00	1,506,448.38	260,170.62
164 Health & Physical Education-Hurricane Ike Exterior	326,277.24	281,460.21	44,817.03
125 Reassemble York # 3 chiller	175,250.00	141,250.00	34,000.00
New Student Housing project	55,000,000.00	-	55,000,000.00
113 Urban Academic Village	157,008.00	-	157,008.00
147 Law School / Moot Court	21,239.00	-	21,239.00
107 John T Biggers Art Ctr Roofing & Waterproofing Repairs	286,994.00	-	286,994.00
143 MLK Roofing & Waterproofing Repairs	297,473.00	-	297,473.00
107 John T Biggers Art Center classrooms renovation	214,616.00	-	214,616.00
171 Granville M Sawyer Auditorium electrical & lights	140,630.00	-	140,630.00
150 JHJ Interior Renovation, Design & Engineering	24,750.00	15,218.05	9,531.95
115 Tierwester oak/University Courtyard waterproofing	15,000.00	-	15,000.00
<b>TOTAL</b>	<b>\$97,074,734.29</b>	<b>\$9,845,892.14</b>	<b>\$87,228,842.15</b>

**TEXAS SOUTHERN UNIVERSITY**  
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**NOTES TO FINANCIAL STATEMENTS, Continued**  
 For the Year Ended August 31, 2012

**NOTE 3: DEPOSITS AND INVESTMENTS**

**A. Deposits of Cash in Bank**

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, TSU's deposits may not be returned to it. As of August 31, 2012, TSU's deposits were fully collateralized.

	Amount
Cash and cash equivalents per statement of cash flows	\$ 48,364,784.71
Less:	
Cash on hand	2,225.50
Cash in treasury	6,650,932.50
Total Cash in Bank	<u>\$ 41,711,626.71</u>
Unrestricted cash in bank:	\$ 15,581,751.83
Restricted cash in bank:	26,129,874.88
Total Cash in Bank	<u>\$ 41,711,626.71</u>

**B. Investments**

TSU has adopted written investment policies regarding the investment of its endowment and non-endowed funds. All investments shall be made in accordance with applicable laws, the investment policies, and resolutions of the Board of Regents. In summary, TSU is authorized to invest in the following:

- Direct obligations of the U.S. Government or its agencies and instrumentalities
- Obligations of this State, or its agencies or its instrumentalities
- Fully collateralized certificates of deposit
- Fully collateralized repurchase agreements or reverse repurchase agreements
- Bankers' acceptance notes
- Commercial paper
- Mutual funds
- Investment pools
- Cash management and fixed income funds exempt from federal income taxation
- Negotiable certificates of deposit
- Corporate bonds rated in one of the two highest categories
- Common or convertible preferred stock
- Foreign Government Bonds
- Foreign Corporate Bonds

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As of August 31, 2012, TSU had the following investments:

Investment Type	Fair Value
U.S. Government Agency Obligations	\$ 20,899,882.19
U.S. Treasury Securities	1,893,719.79
Equity	22,338,484.40
Corporate Obligations	5,213,176.62
Commercial Paper	2,498,025.34
International Obligations	985,862.92
Fixed Income Money Market Funds	29,424,696.17
Total Fair Value	<u>\$ 83,253,847.43</u>

*Credit risk.* Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. TSU's investment policy limits investments in obligations of states, agencies, counties, cities, and other political subdivisions of any investments rated greater than A or its equivalent. Corporate bonds, debentures, or similar debt instruments must be rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradation within those categories. The following table presents each applicable investment type grouped by rating as of August 31, 2012:

**Investment Ratings**

Investment Type	AAA	AA	AA+	AA-	A
U.S. Treasury Securities	\$ 1,893,719.79	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Strips	-	-	-	-	-
U.S. Government Agency Obligations	16,881,978.13	-	-	-	-
Corporate Obligations	2,200,137.03	196,124.66	-	-	-
International Obligations	\$ -	\$ -	\$ -	\$ -	\$ -

**Investment Ratings**

Investment Type	A+	A-	BBB	BBB+	BBB-
U.S. Treasury Securities	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Strips	-	-	-	-	-
U.S. Government Agency Obligations	-	-	-	-	-
Corporate Obligations	124,557.22	361,006.70	1,026,232.79	688,654.10	616,464.12
International Obligations	\$ -	\$ -	\$ 126,424.77	\$ -	\$ -

**Unrated**

Investment Type	
U.S. Government Agency Obligations	\$ 4,017,904.06
Equity	22,338,484.10
Corporate Obligations	-
Commercial Paper	2,498,025.34
International Equity	859,438.15
Fixed Income Money Market Funds	\$ 29,424,696.17

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*Concentration of credit risk – investments.* TSU's investment policy contains diversification as an investment risk but does not contain any limitation on a dollar amount that may be invested in a specific maturity, issuer, or class of investment for its non-endowment funds and endowment funds.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, TSU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. TSU's investment policy requires safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in TSU's safekeeping account prior to the release of funds.

*Interest rate risk-investments.* For an investment, this is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following table demonstrates TSU's interest rate risk.

Investment Type	Fair Value	Investment Maturities (in Years)				
		Stocks	Less Than 1	1 to 5	6 to 10	More than 10
Agency Discount Securities	\$ 16,881,978.13	\$ -	\$ 16,881,978.13	\$ -	\$ -	\$ -
Agencies	4,017,904.06	-	849,896.50	-	38,822.03	3,129,185.53
Treasuries	1,893,719.79	-	-	-	-	1,893,719.79
Common Stock	22,338,484.40	22,338,484.40	-	-	-	-
Corporate Obligations	5,213,176.62	-	26,077.74	1,809,633.63	1,708,570.06	1,668,895.19
Commercial Paper Securities	2,498,025.34	-	2,498,025.34	-	-	-
Foreign Obligations	985,862.92	859,438.15	-	126,424.77	-	-
Money Market Funds	29,424,696.17	-	29,424,696.17	-	-	-
<b>Total</b>	<b>\$ 83,253,847.43</b>	<b>\$ 23,197,922.55</b>	<b>\$ 49,680,673.88</b>	<b>\$ 1,936,058.40</b>	<b>\$ 1,747,392.09</b>	<b>\$ 6,691,800.51</b>

**NOTE 4: SHORT-TERM DEBT**

TSU does not have any short-term debt.

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**NOTE 5: SUMMARY OF LONG-TERM LIABILITIES**

During the year ended August 31, 2012, the following changes occurred in reported in the long-term liabilities:

Long-Term Liabilities	Balance 9/1/2011	Additions	Reductions	Balance 8/31/2012	Amounts Due within One Year	Amounts Due Thereafter
General Obligation Bonds Payable						
Series 2004 Const. Approp.	\$ 3,755,000.00	-	\$ 1,200,000.00	\$ 2,555,000.00	\$ 1,250,000.00	\$ 1,305,000.00
Series 2005 Const. Approp.	15,155,000.00	-	3,570,000.00	11,585,000.00	3,710,000.00	7,875,000.00
Premiums	181,784.79	-	60,594.93	121,189.86	60,594.93	60,594.93
Total general obligation bonds	<u>19,091,784.79</u>	<u>-</u>	<u>4,830,594.93</u>	<u>14,261,189.86 *</u>	<u>5,020,594.93</u>	<u>9,240,594.93</u>
Revenue Bonds Payable						
Series 1998 A-1	9,430,000.00	-	1,170,000.00	8,260,000.00	1,220,000.00	7,040,000.00
Series 1998 A-2 Improvement	6,205,000.00	-	970,000.00	5,235,000.00	1,015,000.00	4,220,000.00
Series 1998 B Improvement	8,915,000.00	-	500,000.00	8,415,000.00	530,000.00	7,885,000.00
Series 2002	32,180,000.00	-	2,225,000.00	29,955,000.00	2,325,000.00	27,630,000.00
Series 2003	20,345,000.00	-	1,290,000.00	19,055,000.00	1,345,000.00	17,710,000.00
Series 2004	1,275,000.00	-	410,000.00	865,000.00	425,000.00	440,000.00
Series 2011	29,240,000.00	-	915,000.00	28,325,000.00	960,000.00	27,365,000.00
Premiums & discounts	1,770,522.54	-	170,797.08	1,599,725.46	166,738.19	1,432,987.27
Total revenue bonds	<u>109,360,522.54</u>	<u>-</u>	<u>7,650,797.08</u>	<u>101,709,725.46 *</u>	<u>7,986,738.19</u>	<u>93,722,987.27</u>
Note Payable	720,324.00		360,162.00	360,162.00	360,162.00	0.00
HBCU Loan		\$ 64,180,000.00	1,034,720.30	63,145,279.70	2,101,563.84	61,043,715.86
	<u>720,324.00</u>	<u>64,180,000.00</u>	<u>1,394,882.30</u>	<u>63,505,441.70 *</u>	<u>2,461,725.84</u>	<u>61,043,715.86</u>
Other Liabilities:						
Accrued Claims and Judgements	810,000.00	-	810,000.00	-	-	-
Compensated Absences	4,823,822.38	515,832.70	-	5,339,655.08	2,573,892.67	2,765,762.41
Total Other Liabilities	<u>5,633,822.38</u>	<u>515,832.70</u>	<u>810,000.00</u>	<u>5,339,655.08</u>	<u>2,573,892.67</u>	<u>2,765,762.41</u>
Total	<u>\$ 134,806,453.71</u>	<u>\$ 64,695,832.70</u>	<u>\$ 14,686,274.31</u>	<u>\$ 184,816,012.10</u>	<u>\$ 18,042,951.63</u>	<u>\$ 166,773,060.47</u>
Long-term Debt Due in More Than One Year				<u>\$ 166,773,060.47</u>		
*Debt associated with capital assets				<u>\$ 179,476,357.02</u>		

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Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending Aug. 31	Revenue Bonds	
	Principal	Interest
2013	\$ 7,820,000.00	\$ 5,222,844.39
2014	8,195,000.00	4,842,975.63
2015	8,170,000.00	4,421,621.26
2016	8,595,000.00	3,993,931.26
2017	8,640,000.00	3,555,581.25
2018-2022	38,585,000.00	11,735,262.52
2023-2027	13,050,000.00	4,458,300.02
2028-2032	7,055,000.00	973,012.50
<b>Total</b>	<b>\$ 100,110,000.00</b>	<b>\$ 39,203,528.83</b>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending Aug. 31	General Obligations Bonds	
	Principal	Interest
2013	\$ 4,960,000.00	\$ 491,400.00
2014	5,165,000.00	290,000.00
2015	4,015,000.00	80,300.00
2016	-	-
2017	-	-
<b>Total</b>	<b>\$ 14,140,000.00</b>	<b>\$ 861,700.00</b>

**A. Notes and Loans Payable**

**1. Leasehold**

A noninterest bearing note payable consists of agreed installment payments on Leasehold improvements at Lone Star College of \$360,162 due on October 15, 2013.

The annual payment schedule by year is tabulated below:

Year Ending Aug. 31	Note Payable	
	Principal	Interest
2013	\$ 360,162.00	\$ -
2014	-	-
2015	-	-
2016	-	-
2017	-	-
<b>Total</b>	<b>\$ 360,162.00</b>	<b>\$ -</b>

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**2. Parking Garage**

On September 26, 2011, pursuant to the Board resolution made in June 2011, TSU acquired the East and West parking garages from the Central Houston Parking, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was \$64,180,000.00. Existing debt service funds and reserves held by the trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Central Houston Parking has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was \$33,307,026.59. The debt service is secured by parking revenues.

**3. Student Housing - Tierwester Oaks and Richfield Manor Apartments**

On September 26, 2011, pursuant to the Board resolution made in June 2011, Texas Southern University acquired the Tierwester Oaks and Richfield Manor Apartments from the Houston Student Housing II, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was \$64,180,000.00. Existing debt service funds and reserves held by the trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Houston Student Housing II has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was \$ 21,442,969.78. The debt service is be secured by Housing rental revenues.

**4. Student Housing – The University Courtyard Apartments**

On September 26, 2011, pursuant to the Board resolution made in June 2011, Texas Southern University acquired the University Courtyard apartments from the Houston Student Housing, L.L.C. The acquisition was financed through U.S Department of Education's Historical Black Colleges and Universities loan program initiative. The loan amount was \$64,180,000.00. Existing debt service funds and reserves held by the Trustees in Bank of New York Trust Company, NA., were also applied in the satisfaction of the purchase agreement and terms. Consequently, Houston Student Housing has since relinquished all beneficial interests, rights and title of the properties. The cost of the purchase was \$9,817,505.80. The debt service is be secured by Housing rental revenues.

Estimated loan debt requirements are as follows:

Year Ending Aug. 31	Principal	Interest	Total Estimated Annual amount
2013	\$ 2,101,563.84	\$ 1,464,294.12	\$ 3,565,857.96
2014	2,150,985.59	1,414,872.37	3,565,857.96
2015	2,201,343.56	1,364,514.40	3,565,857.96
2016	2,246,104.13	1,319,753.83	3,565,857.96
2017	2,309,686.53	1,256,171.43	3,565,857.96
2018-2022	12,364,611.64	5,464,678.16	17,829,289.80
2023-2027	13,891,086.92	3,938,202.88	17,829,289.80
2028-2032	15,606,021.44	2,223,268.36	17,829,289.80
2033-2037	10,273,876.05	423,697.58	10,697,573.63
	<u>\$63,145,279.70</u>	<u>\$ 18,869,453.13</u>	<u>\$82,014,732.83</u>

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**B. Accrued Claims and Judgments**

1. Student Rights

During the year a lawsuit against TSU, for which a \$750,000 provision was made, was settled.

**C. Compensated Absences**

A State employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. An expense and liability are recorded as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source from which the employee's salary or wage compensation was paid.

**D. Arbitrage Liability**

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly a substantial liability to TSU could result. TSU periodically engages an arbitrage consultant to perform the calculations in accordance with the IRS rules and regulations and the arbitrage liability is adjusted accordingly.

**NOTE 6: BONDED INDEBTEDNESS**

**Refunding Revenue Bonds, Series 1998A-1**

<b>Purpose</b>	To defease and advance refund all of the outstanding bonds of TSU.
<b>Amount of Issue</b>	\$20,305,000; all authorized have been issued
<b>Issue Date</b>	01-14-1999
<b>Type of Bond</b>	Revenue Bond – Self Supporting
<b>Reporting</b>	Business-type Activities
<b>Source of Revenue</b>	Pledged Revenues
<b>Change in Debt</b>	None

**Improvement Revenue Bonds, Series 1998A-2**

<b>Purpose</b>	To acquire, purchase, improve, renovate, enlarge, or equip property, buildings, structures, roads, or related infrastructure improvements for TSU, including certain deferred maintenance projects of TSU.
<b>Amount of Issue</b>	\$18,000,000; all authorized have been issued
<b>Issue Date</b>	01-14-1999



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<b>Type of Bond</b>	Revenue Bond – Self Supporting
<b>Reporting</b>	Business-type Activities
<b>Source of Revenue</b>	Pledged Revenues
<b>Change in Debt</b>	Defeased \$3,090,000

**Improvement Revenue Bonds, Series 1998B**

<b>Purpose</b>	To construct and equip a recreational facility at TSU.
<b>Amount of Issue</b>	\$12,920,000; all authorized have been issued
<b>Issue Date</b>	01-14-1999
<b>Type of Bond</b>	Revenue Bond – Self Supporting
<b>Reporting</b>	Business- type Activities
<b>Source of Revenue</b>	Pledged Revenues
<b>Change in Debt</b>	None

**Revenue Bonds, Series 2002**

<b>Purpose</b>	To construct and equip a new science building; to renovate TSU's student center; to renovate TSU's law school building; and to renovate other campus facilities including electrical and mechanical systems.
<b>Amount of Issue</b>	\$48,065,000; all authorized have been issued
<b>Issue Date</b>	04-25-2002
<b>Type of Bond</b>	Revenue Bond – Self Supporting
<b>Reporting</b>	Business-type Activities
<b>Source of Revenue</b>	Pledged Revenues
<b>Change in Debt</b>	None

**Revenue Bonds, Series 2003**

<b>Purpose</b>	To renovate TSU's Ernest S. Sterling Student Life Center, Thurgood Marshall School of Law, and School of Technology; and to repair and renovate other campus infrastructure.
<b>Amount of Issue</b>	\$27,240,000; all authorized have been issued
<b>Issue Date</b>	06-26-2003
<b>Type of Bond</b>	Revenue Bond – Self Supporting
<b>Reporting</b>	Business-type Activities

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Source of Revenue    Pledged Revenues

Change in Debt       None

**Revenue Bonds, Series 2004**

**Purpose**                    To restore TSU facilities and related infrastructure damaged by Tropical Storm Allison.

**Amount of Issue**       \$3,500,000; all authorized have been issued

**Issue Date**             04-14-2004

**Type of Bond**           Revenue Bond – Self Supporting

**Reporting**               Business-type Activities

**Source of Revenue**    Pledged Revenues

**Change in Debt**        None

**Revenue Bonds, Series 2011**

**Purpose**                    To construct the new Leonard Spearman Technology Building.

**Amount of Issue**       \$31,500,000; all authorized have been issued

**Issue Date**             11-01-2010

**Type of Bond**           Revenue Bond – Self Supporting

**Reporting**               Business-type Activities

**Source of Revenue**    Pledged Revenues

**Change in Debt**        None

**General Obligation Bonds**

**Constitutional Appropriation Bonds, Series 2004**

**Purpose**                    To finance the construction and equipping of buildings, including the School of Public Affairs, Science Building, and a campus radio station.

**Amount of Issue**       \$11,100,000; all authorized have been issued

**Issue Date**             07-27-2004

**Type of Bond**           General Obligation Bond – Non Self Supporting

**Reporting**               Business-type Activities

**Source of Revenue**    Constitutional Appropriations

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Change in Debt      None

**General Obligation Bonds**

**Constitutional Appropriation Bonds, Series 2005**

<b>Purpose</b>	To finance the construction and equipping of buildings or other permanent improvements, including a School of Public Affairs; to finance the performance of major repair or rehabilitation of buildings; to finance the purchase of capital equipment and other equipment authorized to be purchased with Higher Education Assistance Funds; and to finance the payment of certain costs related to the issuance of the bonds.
<b>Amount of Issue</b>	\$30,935,000; all authorized have been issued
<b>Issue Date</b>	08-01-2005
<b>Type of Bond</b>	General Obligation Bond – Non Self Supporting
<b>Reporting</b>	Business-type Activities
<b>Source of Revenue</b>	Constitutional Appropriations
<b>Change in Debt</b>	None

**NOTE 7: DERIVATIVES**

TSU does not have any derivatives.

**NOTE 8: LEASES**

Capital leases are used to finance the purchase of property and are capitalized at the present value of future minimum lease payments. As of August 31, 2012, TSU had not entered into any contractual agreements that could be deemed capital lease obligations.

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Year Ending Aug. 31	Minimum Lease Payments
2013	\$ 1,162,370.30
2014	1,266,863.20
2015	1,266,863.20
2016	495,763.20
2017	470,213.20
2018	78,942.90
Total	<u>\$ 4,741,016.00</u>

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**NOTE 9: RETIREMENT PLANS**

**A. Teacher Retirement System**

The State of Texas has joint contributory retirement plans for substantially all of its employees. One of the primary plans in which TSU participates is a cost-sharing, multi-employer, public employee retirement system administered by the Teacher Retirement System of Texas (TRS). TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, TSU may be required to make contributions in lieu of the State.

All TSU personnel employed in a position on a half time or greater basis for four and a half months or more are eligible for membership in TRS. Members with at least five years of service at age 65 or any combination of age plus years of service which equals 80, have a vested right to retirement benefits. Additionally, reduced benefits are available at age 55 with at least five years of service or at any age below 50 with 30 years of service. Members are fully vested after five years of service and are entitled to any benefits for which the eligibility requirements have been met.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees are 6.4 percent of gross earnings. Depending upon the source of funding for the employee's compensation, the State or TSU contributes a percentage of participant salaries totaling six percent of annual compensation. TSU's contributions to TRS for the year ended August 31, 2012 were \$1,788,767.79, which equaled the amount of the required contributions for the year.

TRS does not separately account for each of its component government agencies since the retirement system itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the retirement system's annual financial report, which may be found on the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us).

**B. Optional Retirement Program**

The State of Texas has also established an Optional Retirement Program (ORP) for institutions of higher education. Participation in the ORP is in lieu of participation in TRS. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. The contributory percentages of participant salaries currently provided by the State of Texas and each participant are six percent and 6.65 percent, respectively. Depending upon the source of funding for the employee's compensation, TSU may be required to make the employer contributions in lieu of the State. Additionally, the State or TSU must make additional contributions above six percent depending upon the employee's date of hire. Since these are individual annuity contracts, the State and TSU have no additional or unfunded liability for this program.

	<u>Year Ended</u> <u>Aug. 31, 2012</u>
Employee Contributions	\$ 2,383,645.10
Employer Contributions	2,663,924.40
Total	<u>\$ 5,047,569.50</u>

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**NOTES 10 and 11: RETIREMENT PLANS**

These notes are not applicable to TSU.

**NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS**

TSU reports their financial statements in accordance with GASB Statement No. 35. The statement requires TSU to report as one fund. Accordingly, no interfund balances and activities are reported.

**NOTE 13: CONTINUANCE SUBJECT TO REVIEW**

TSU's continuance is not subject to review.

**NOTE 14: RESTATEMENT OF NET ASSETS**

TSU does not have any restatement of net assets.

**NOTE 15: CONTINGENCIES AND COMMITMENTS**

**A. Grants**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although TSU expects such amounts, if any, to be immaterial.

**B. Lawsuits**

TSU is a defendant in numerous lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of TSU's management that resolution of these matters will not have a materially adverse effect on the financial condition of TSU.

**C. Perkins Loan**

TSU is recording maximum liability – Due to Perkins Loan Program for \$2.7 million. The actual liability could be significantly less than this amount and final number will be known when Perkins Loan close out process is complete and final numbers are provided by Department of Education.

**NOTE 16: SUBSEQUENT EVENTS**

In September 2012 TSU, through the Historically Black College/University (HBCU) capital financing program under the auspices of the US. Department of Education, secured \$55 million in bonds proceeds to construct new student housing, consisting of 800 beds, to be located on the eastside of the campus at Wheeler and Sampson streets.

This was in execution of the approved TSU Board of Regents resolution of July 6, 2012.

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This was in execution of the approved TSU Board of Regents resolution of July 6, 2012.

**NOTE 17: RISK FINANCING AND RELATED INSURANCE**

TSU is exposed to a variety of civil claims resulting from the performance of its duties. It is TSU's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. TSU assumes substantially all risks associated with tort and liability claims due to the performance of its duties.

TSU has commercial insurance policies for general liability, directors and officers, and commercial property. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements for the past three years. Currently TSU is not involved in any risk pools with other government entities.

TSU has various self-insured arrangements for coverage in the areas of employee health insurance, workers' compensation, unemployment compensation, and medical malpractice. Employee health and medical malpractice plans are funded.

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other State agencies for TSU employees. The current General Appropriations Act provides that TSU must reimburse the general revenue fund, consolidated from TSU appropriations, one-half of the unemployment benefits and 25 percent of the workers' compensation benefits paid for former and current employees. The Comptroller determines the proportionate amount to be reimbursed from each appropriated fund type. TSU must reimburse the general revenue fund 100 percent of the cost for workers' compensation and unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State treasury. Workers' compensation and unemployment plans are on a pay-as-you-go basis, in which no assets are set aside to be accumulated for the payment of claims. No material outstanding claims are pending at August 31, 2012.

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a State highway be insured for minimum limits of liability in the amount of \$20,000 / \$40,000 bodily injury and \$15,000 property damage. However, TSU has chosen to carry liability insurance on its licensed vehicles in the amount of \$250,000 / \$500,000 bodily injury and \$100,000 property damage, the extent of the waivers of State sovereign immunity specified in the tort claims act.

**NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS**

Although normally included as Note 18 following the Comptroller's requirements, Management's Discussion and Analysis is included as a separate section in the front of this report to comply with GASB.

**NOTE 19: THE FINANCIAL REPORTING ENTITY**

**A. Related Parties**

TSU is affiliated with the Texas Southern University Foundation. The stated purpose of the foundation is "to solicit and receive gifts, grants, devices, or bequests and to maintain, use, and apply the income there from and the principal thereof exclusively for charitable, scientific, literary or educational activities in order to aid and benefit Texas Southern University." According to foundation bylaws, the President of TSU and a representative of TSU's Board of Regents shall be ex officio members of the foundation's Board of Directors with full voting rights.

**TEXAS SOUTHERN UNIVERSITY**  
 (An Agency of the State of Texas)  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
 For the Year Ended August 31, 2012

TSU is also affiliated with the Texas Southern University Alumni Association. The alumni association is a non-profit organization created for the purpose of promoting, fostering, and advancing the educational goals of TSU and the interests and welfare of its students; to provide the means for continuing relationships between TSU, former students, and the community; and to enable them to contribute to and share in the progress of TSU. All former students are eligible for membership in the alumni association. The Board of Directors of the alumni association is elected by the membership. TSU administration has no controlling interest in the alumni association.

The financial statements of TSU encompass the financial activity only of TSU. TSU does not have any component entities that should be included in these financial statements.

**NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

TSU has no material violations of finance related legal and contract provisions. Per the laws of the State of Texas, TSU cannot spend amounts in excess of appropriations granted by the Texas Legislature and there are no deficits reported in net assets.

**NOTE 21: N/A**

**NOTE 22: DONOR-RESTRICTED ENDOWMENTS**

<u>Donor-Restricted Endowments</u>	<u>Amount of Net Appreciation (Depreciation)</u>	<u>Reported in Net Assets</u>
True Endowments	\$ 2,532,613.84	Restricted for expendable
Term Endowments	751,151.87	Restricted for expendable
Total	<u>\$ 3,283,765.71</u>	

In the table above, amounts reported as "Net Appreciation" represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the TSU Board of Regents. For donor restricted endowments, pursuant to the Uniform Management of Institutional Funds Act, as adopted by Texas, the TSU Board of Regents may distribute net appreciation, realized and unrealized, in the fair market value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent.

**NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS**

TSU does not have any special and extraordinary items to report during the year ended August 31, 2012.

**NOTE 24: DISAGGREGATION OF RECEIVABLE BALANCES**

Aggregate receivables as reported on the Statement of Net Assets as of August 31, 2012, are detailed as follows:

<u>Receivables</u>	<u>Balance</u>
Student Accounts	\$ 28,945,458.69
Third Party Accounts	40,896.50
Less Allowance	(8,656,408.83)
Total	<u>\$ 20,329,946.36</u>

**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
***NOTES TO FINANCIAL STATEMENTS, Continued***  
For the Year Ended August 31, 2012

**NOTE 25: TERMINATION BENEFITS**

There were no non-routine, widespread voluntary or involuntary termination arrangements that involved a substantial number of individual employees or group of employees meeting the criteria for liability recognition.

**NOTE 26: SEGMENT INFORMATION**

TSU does not have any segments requiring segment reporting.



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## **SUPPLEMENTARY INFORMATION**

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# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## *SCHEDULE OF OPERATING EXPENSES*

For the Year Ended August 31, 2012

### **Expenses by Natural Classification**

	<b>2012</b>
Salaries and wages	\$ 89,577,892.90
Payroll related costs	21,188,258.73
Professional fees and services	6,818,234.33
Travel	3,438,617.13
Materials and supplies	11,768,528.56
Communication and utilities	6,213,944.62
Repairs and maintenance	4,488,254.99
Rentals and leases	2,457,481.80
Printing and reproductions	716,404.32
Federal pass through expenditures	125,864.42
Bad debt expense	2,175,210.81
Scholarships	26,616,254.54
Other operating expenses	10,682,430.20
Depreciation	17,327,229.47
<b>Total Operating Expenses by Natural Class</b>	<b>\$ 203,594,606.82</b>

### **Expenses by NACUBO Classification**

	<b>2012</b>
Instruction	\$ 75,413,394.41
Research	6,380,072.64
Public service	1,201,478.01
Academic support	13,529,297.42
Student services	14,008,423.75
Institutional support	28,605,440.66
Operation and maintenance of plant	10,015,650.82
Scholarships and fellowships	20,038,511.21
Auxiliary	17,075,108.43
Depreciation	17,327,229.47
<b>Total Operating Expenses by NACUBO Class</b>	<b>\$ 203,594,606.82</b>

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From		
				Pass-Through From Agencies or Universities Amount	Pass-Through From State Entities Amount	Non-
<b>U.S. Department of Defense</b>						
U.S. Department of Defense	12.000	VIRGINIA TECH UNIVERSITY/ UNITE 2012				18,419.26
<u>Pass-Through From:</u>						
Basic and Applied Scientific Research	12.300					
<u>Pass-Through From:</u>						
University of Texas at Austin			721	88,121.50		
Totals - U.S. Department of Defense				\$ 88,121.50	\$ 18,419.26	
<b>U.S. Department of Housing and Urban Development</b>						
<u>Direct Programs:</u>						
Historically Black Colleges and Universities Program	14.520					
Totals - U.S. Department of Housing and Urban Development				\$ -	\$ -	
<b>U.S. Department of Transportation</b>						
U.S. Department of Transportation	20.000	DDEHBC-05X-00103,154				
Totals - U.S. Department of Transportation				\$ -	\$ -	
<b>National Endowment For The Humanities</b>						
Museum Grants for African American History and Culture	45.309					
National Leadership Grants	45.312					
Totals - National Endowment For The Humanities				\$ -	\$ -	
<b>National Science Foundation</b>						
Education and Human Resources	47.076					
<u>Pass-Through From:</u>						
Education and Human Resources	47.076					
<u>Pass-Through From:</u>						
University of Houston			730	186,426.70		
Totals - National Science Foundation				\$ 186,426.70	\$ -	
<b>Nuclear Regulatory Commission</b>						
<u>Direct Programs:</u>						
U. S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006					
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008					
Totals - Nuclear Regulatory Commission				\$ -	\$ -	
<b>U.S. Department of Education</b>						
Higher Education Institutional Aid	84.031					
Minority Science and Engineering Improvement	84.120					
Totals - U.S. Department of Education				\$ -	\$ -	
<b>U.S. Department of Health and Human Services</b>						
Health Careers Opportunity Program	93.822					
Geriatric Education Centers	93.969					
Totals - U.S. Department of Health and Human Services				\$ -	\$ -	
<b>U.S. Department of Homeland Security</b>						
Centers for Homeland Security	97.061	RUTGERS UNIVERSITY/ 2009-ST-0061-CC1002				10,733.62
<u>Pass-Through From:</u>						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036					
<u>Pass-Through From:</u>						
Department of Public Safety			405	2,973,970.98		
Totals - U.S. Department of Homeland Security				\$ 2,973,970.98	\$ 10,733.62	
<b>Research &amp; Development Cluster</b>						
<b>U.S. Department of Agriculture</b>						
Grants for Agricultural Research, Special Research Grants	10.200	UNIVERSITY OF TOLEDO/ 10390057-TSU				12,597.07

Direct Program Amount	Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
			Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount		
	18,419.26				18,419.26	18,419.26
	88,121.50				88,121.50	88,121.50
\$ -	\$ 106,540.76		\$ -	\$ -	\$ 106,540.76	\$ 106,540.76
300,432.35	300,432.35				300,432.35	300,432.35
\$ 300,432.35	\$ 300,432.35		\$ -	\$ -	\$ 300,432.35	\$ 300,432.35
18,615.55	18,615.55				18,615.55	18,615.55
\$ 18,615.55	\$ 18,615.55		\$ -	\$ -	\$ 18,615.55	\$ 18,615.55
60,997.17	60,997.17				60,997.17	60,997.17
58,947.33	58,947.33				58,947.33	58,947.33
\$ 119,944.50	\$ 119,944.50		\$ -	\$ -	\$ 119,944.50	\$ 119,944.50
30,284.45	30,284.45				30,284.45	30,284.45
	186,426.70				186,426.70	186,426.70
\$ 30,284.45	\$ 216,711.15		\$ -	\$ -	\$ 216,711.15	\$ 216,711.15
15,019.00	15,019.00				15,019.00	15,019.00
52,533.79	52,533.79				52,533.79	52,533.79
\$ 67,552.79	\$ 67,552.79		\$ -	\$ -	\$ 67,552.79	\$ 67,552.79
7,201,226.87	7,201,226.87				7,201,226.87	7,201,226.87
30,780.23	30,780.23				30,780.23	30,780.23
\$ 7,232,007.10	\$ 7,232,007.10		\$ -	\$ -	\$ 7,232,007.10	\$ 7,232,007.10
9,059.72	9,059.72				9,059.72	9,059.72
20,082.66	20,082.66				20,082.66	20,082.66
\$ 29,142.38	\$ 29,142.38		\$ -	\$ -	\$ 29,142.38	\$ 29,142.38
	10,733.62				10,733.62	10,733.62
	2,973,970.98				2,973,970.98	2,973,970.98
\$ -	\$ 2,984,704.60		\$ -	\$ -	\$ 2,984,704.60	\$ 2,984,704.60
	12,597.07				12,597.07	12,597.07

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From	
				Pass-Through From Agencies or Universities Amount	Pass-Through From State Entities Amount
<u>Direct Programs:</u>					
Forestry Research	10.652				
Totals - U.S. Department of Agriculture				\$	\$ 12,597.07
<u>U.S. Department of Defense</u>					
Air Force Defense Research Sciences Program	12.800	CLARKSON AEROSPACE CORPORATION/ TSU11-S567-0016-02-C2			44,327.11
Air Force Defense Research Sciences Program		CLARKSON AEROSPACE CORPORATION/ 10-S567-0016-02-C1			8,498.55
<u>Direct Programs:</u>					
U.S. Department of Defense	12.000	N00421-11-P-0032			
Military Medical Research and Development	12.420				
Air Force Defense Research Sciences Program	12.800				
Totals - U.S. Department of Defense				\$	\$ 52,825.66
<u>U.S. Department of Transportation</u>					
University Transportation Centers Program	20.701	UNIVERSITY OF IDAHO/  KLK900-SB-003			9,829.34
Totals - U.S. Department of Transportation				\$	\$ 9,829.34
<u>National Aeronautics and Space Administration</u>					
National Aeronautics and Space Administration	43.000	UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS/ NSTI200-2012			34,956.08
National Aeronautics and Space Administration		UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS/ NSTI2011-2012			48,894.46
National Aeronautics and Space Administration		UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS/ UNCFSP NSTI UNEEC			19,122.07
National Aeronautics and Space Administration		UNITED NEGRO COLLEGE FUND SPECIAL PROGRAMS/ UNCFSP UNIMET			38,825.39
<u>Direct Programs:</u>					
National Aeronautics and Space Administration	43.000	NNX10AQ16A			
National Aeronautics and Space Administration	43.000	NNX108Q16A			
National Aeronautics and Space Administration	43.000	NNX11AJ73G			
National Aeronautics and Space Administration	43.000				
<u>Pass-Through To:</u>					
University of Houston Science	43.001	NNX10AQ16A			
<u>Pass-Through To:</u>					
Texas A&M Engineering Experiment Station Education	43.008				
<u>Pass-Through From:</u>					
Education	43.008				
<u>Pass-Through From:</u>					
University of Texas at Brownsville			747	33,194.00	
Totals - National Aeronautics and Space Administration				\$ 33,194.00	\$ 141,798.00

Direct Program Amount	Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
			Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount		
44,621.80	44,621.80				44,621.80	44,621.80
\$ 44,621.80	\$ 57,218.87		\$ -	\$ -	\$ 57,218.87	\$ 57,218.87
	44,327.11				44,327.11	44,327.11
	8,498.55				8,498.55	8,498.55
1,996.67	1,996.67				1,996.67	1,996.67
81,494.53	81,494.53				81,494.53	81,494.53
5,816.81	5,816.81				5,816.81	5,816.81
\$ 89,308.01	\$ 142,133.67		\$ -	\$ -	\$ 142,133.67	\$ 142,133.67
	9,829.34				9,829.34	9,829.34
\$ -	\$ 9,829.34		\$ -	\$ -	\$ 9,829.34	\$ 9,829.34
	34,956.08				34,956.08	34,956.08
	48,894.46				48,894.46	48,894.46
	19,122.07				19,122.07	19,122.07
	38,825.39				38,825.39	38,825.39
642,790.91	642,790.91				642,790.91	642,790.91
59,051.29	59,051.29			59,051.29		59,051.29
68,607.42	68,607.42				68,607.42	68,607.42
89,849.99	89,849.99					89,849.99
26,033.63	26,033.63	730	89,849.99			26,033.63
28,972.50	28,972.50	712	26,033.63		28,972.50	28,972.50
	33,194.00				33,194.00	33,194.00
\$ 915,305.74	\$ 1,090,297.74		\$ 115,883.62	\$ 59,051.29	\$ 915,362.83	\$ 1,090,297.74



# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From		
				Pass-Through From Agencies or Universities Amount	Pass-Through From State Entities Amount	Non-
<b>National Science Foundation</b>						
<u>Direct Programs:</u>						
Mathematical and Physical Sciences	47.049					
Computer and Information Science and Engineering	47.070					
Education and Human Resources	47.076					
ARRA - Trans-NSF Recovery Act Research Support	47.082					
<u>Pass-Through From:</u>						
Education and Human Resources	47.076					
<u>Pass-Through From:</u>						
University of Texas at Brownsville			747	69,331.27		
Totals - National Science Foundation				\$	69,331.27	\$ -
<b>U.S. Department of Health and Human Services</b>						
U.S. Department of Health and Human Services	93.000	WESTAT CORPORATION/  8821S001				61,928.80
<u>Direct Programs:</u>						
National Center for Research Resources	93.389					
National Center for Research Resources	93.389					
<u>Pass-Through To:</u>						
University of Texas at El Paso						
Academic Research Enhancement Award	93.390					
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779					
Cardiovascular Diseases Research	93.837					
<u>Pass-Through From:</u>						
Allergy, Immunology and Transplantation Research	93.855					
<u>Pass-Through From:</u>						
University of Texas Medical Branch at Galveston			723	12,755.56		
Totals - U.S. Department of Health and Human Services				\$	12,755.56	\$ 61,928.80
<b>U.S. Department of Homeland Security</b>						
Centers for Homeland Security	97.061	RUTGERS UNIVERSITY/ 2009-ST-0061-CC11002				4,393.22
Centers for Homeland Security		UNIVERSITY OF NORTH CAROLINA CHAPEL HILL/ UNC-CH 5-36456				34,672.30
<u>Direct Programs:</u>						
Centers for Homeland Security	97.061					
Totals - U.S. Department of Homeland Security				\$	-	\$ 39,065.52
<b>Student Financial Assistance Cluster</b>						
<b>U.S. Department of Education</b>						
<u>Direct Programs:</u>						
Federal Supplemental Educational Opportunity Grants	84.007					
Federal Family Education Loans	84.032					
Federal Work-Study Program	84.033					
Federal Perkins Loan Program_Federal Capital Contributions	84.038					

Direct Program Amount	Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
			Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount		
163,186.68	163,186.68				163,186.68	163,186.68
20,962.92	20,962.92				20,962.92	20,962.92
1,419,100.71	1,419,100.71				1,419,100.71	1,419,100.71
17,056.19	17,056.19				17,056.19	17,056.19
	69,331.27				69,331.27	69,331.27
<hr/>						
\$ 1,620,306.50	\$ 1,689,637.77		\$ -	\$ -	\$ 1,689,637.77	\$ 1,689,637.77
	61,928.80				61,928.80	61,928.80
669,787.66	669,787.66				669,787.66	669,787.66
9,980.80	9,980.80					9,980.80
		724	9,980.80			
26,021.73	26,021.73				26,021.73	26,021.73
69,640.96	69,640.96				69,640.96	69,640.96
268,758.66	268,758.66				268,758.66	268,758.66
	12,755.56				12,755.56	12,755.56
<hr/>						
\$ 1,044,189.81	\$ 1,118,874.17		\$ 9,980.80	\$ -	\$ 1,108,893.37	\$ 1,118,874.17
	4,393.22				4,393.22	4,393.22
	34,672.30				34,672.30	34,672.30
516,901.71	516,901.71				516,901.71	516,901.71
\$ 516,901.71	\$ 555,967.23		\$ -	\$ -	\$ 555,967.23	\$ 555,967.23
720,805.05	720,805.05				720,805.05	720,805.05
-8,275.07	-8,275.07				-8,275.07	-8,275.07
602,997.59	602,997.59				602,997.59	602,997.59
14,272.65	14,272.65				14,272.65	14,272.65

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

August 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From		
				Pass-Through From Agencies or Universities Amount	Pass-Through From State Entities Amount	Non-
Federal Pell Grant Program	84.063					
Federal Direct Student Loans	84.268					
Academic Competitiveness Grants	84.375					
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379					
Totals - U.S. Department of Education				\$	-	\$ -
<b>U.S. Department of Health and Human Services</b>						
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342					
<u>Direct Programs:</u>						
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925					
Totals - U.S. Department of Health and Human Services				\$	-	\$ -
<b>TRIO Cluster</b>						
<b>U.S. Department of Education</b>						
<u>Direct Programs:</u>						
TRIO_Talent Search	84.044					
TRIO_Upward Bound	84.047					
TRIO_Educational Opportunity Centers	84.066					
TRIO_McNair Post-Baccalaureate Achievement	84.217					
Totals - U.S. Department of Education				\$	-	\$ -
<b>Total Expenditures of Federal Awards</b>				\$ 3,363,800.01	\$	347,197.27

Direct Program Amount	Total PT From and Direct Prog. Amount	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
			Pass-Through To Agencies or Universities Amount	Pass-Through To Non-State Entities Amount		
24,062,269.08	24,062,269.08				24,062,269.08	24,062,269.08
103,310,511.00	103,310,511.00				103,310,511.00	103,310,511.00
-750	-750				-750	-750
83,000.00	83,000.00				83,000.00	83,000.00
<u>\$ 128,784,830.30</u>	<u>\$ 128,784,830.30</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,784,830.30</u>	<u>\$ 128,784,830.30</u>
	0					0
672,854.00	672,854.00				672,854.00	672,854.00
<u>\$ 672,854.00</u>	<u>\$ 672,854.00</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672,854.00</u>	<u>\$ 672,854.00</u>
439,483.20	439,483.20				439,483.20	439,483.20
447,039.21	447,039.21				447,039.21	447,039.21
336,472.51	336,472.51				336,472.51	336,472.51
220,035.07	220,035.07				220,035.07	220,035.07
<u>\$ 1,443,029.99</u>	<u>\$ 1,443,029.99</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,443,029.99</u>	<u>\$ 1,443,029.99</u>
<u>\$ 142,929,326.98</u>	<u>\$ 146,640,324.26</u>		<u>\$ 125,864.42</u>	<u>\$ 59,051.29</u>	<u>\$ 146,455,408.55</u>	<u>\$ 146,640,324.26</u>

SEFA Note 2 Reconciliations

Note 2 Amount

Federal revenue	\$ 40,089,680.82
Federal pass-through revenue	3,363,800.01
Federal family education loan	(8,275.07)
Federal perkins loan program	13,593.00
Federal direct student loans	103,310,511.00
Federal grants from Texas A&M Research	(128,985.50)
Total Pass-through and expenditures	<u>\$ 146,640,324.26</u>

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## *SCHEDULE 1B - STATE GRANT PASS THROUGH FROM/TO STATE AGENCIES*

For the Year Ended August 31, 2012

### Pass Through From:

University of Texas System (Agency# 720.0002)	\$ 1,680.75
Texas State Board of Public Accountancy (Agency# 457.0001)	13,035.00
Texas Higher Education Coordinating Board (Agency# 781.0008)	7,130,000.00
Texas Higher Education Coordinating Board (Agency# 781.0010)	(18,400.00)
Texas Higher Education Coordinating Board (Agency# 781.0017)	103,250.00
Texas Higher Education Coordinating Board (Agency# 781.0023)	34,305.05
Texas Higher Education Coordinating Board (Agency# 781.0026)	106,784.59
Texas Higher Education Coordinating Board (Agency# 781.0028)	70,000.00
Texas Higher Education Coordinating Board (Agency# 781.0029)	261,303.68
Texas Higher Education Coordinating Board (Agency# 781.0036)	3,807.30
<b>Total Pass Through From Other Agencies</b>	<b>\$ <u>7,705,766.37</u></b>

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## SCHEDULE 2A - MISCELLANEOUS BOND INFORMATION

For the Year Ended August 31, 2012

### Business-Type Activities

Description	Interest Rate	Maturity Dates		First Call Date	Original Issue
		First Year	Last Year		
General Obligation Bonds- Not Self Supporting					
Series 2004 Constitutional Appropriation	3.00-4.00%	2005	2014	n/a	\$ 11,100,000.00
Series 2005 Constitutional Appropriation	3.00-4.00%	2005	2014	n/a	30,935,000.00
Revenue Bonds- Self Supporting					
Series 1998 A-1 Refunding	3.10-4.75%	1999	2017	5/1/2009	20,305,000.00
Series 1998 A-2 Improvement	3.10-5.13%	1999	2018	5/1/2009	18,000,000.00
Series 1998 B Improvement	3.50-5.13%	2001	2023	5/1/2009	12,920,000.00
Series 2002	4.00-5.50%	2002	2021	5/1/2012	48,065,000.00
Series 2003	2.00-5.00%	2006	2023	5/1/2013	27,240,000.00
Series 2004	2.50-3.70%	2006	2014	n/a	3,500,000.00
Series 2011	4.00-6.75%	2011	2030	5/1/2021	31,500,000.00
Total General Bonded Debt					\$ 203,565,000.00

# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## SCHEDULE 2B - CHANGES IN BOND INDEBTEDNESS

For the Year Ended August 31, 2012

Description	Beginning Balance	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Ending Balance	Amounts Due Within One Year
<b>General Obligation Bonds- Non Self Supporting</b>						
Series 2004 Constitutional Appropriation	\$ 3,755,000.00	\$ -	\$ 1,200,000.00	\$ -	\$ 2,555,000.00	\$ 1,250,000.00
Series 2005 Constitutional Appropriation	15,155,000.00	-	3,570,000.00	-	11,585,000.00	3,710,000.00
<b>Revenue Bonds- Self Supporting</b>						
Series 1998 A-1 Refunding	9,430,000.00	-	1,170,000.00	-	8,260,000.00	1,220,000.00
Series 1998 A-2 Improvement	6,205,000.00	-	970,000.00	-	5,235,000.00	1,015,000.00
Series 1998 B Improvement	8,915,000.00	-	500,000.00	-	8,415,000.00	530,000.00
Series 2002	32,180,000.00	-	2,225,000.00	-	29,955,000.00	2,325,000.00
Series 2003	20,345,000.00	-	1,290,000.00	-	19,055,000.00	1,345,000.00
Series 2004	1,275,000.00	-	410,000.00	-	865,000.00	425,000.00
Series 2011	29,240,000.00	-	915,000.00	-	28,325,000.00	960,000.00
<b>Total General Bonded Debt</b>	<u>\$ 126,500,000.00</u>	<u>\$ -</u>	<u>\$ 12,250,000.00</u>	<u>\$ -</u>	<u>\$ 114,250,000.00</u>	<u>\$ 12,780,000.00</u>

**TEXAS SOUTHERN UNIVERSITY**  
(An Agency of the State of Texas)  
**SCHEDULE 2C - DEBT SERVICE REQUIREMENTS**  
For the Year Ended August 31, 2012

Series 1998 A-1 Refunding Bonds			
Year Ending Aug. 31	Principal	Interest	Total
2013	\$ 1,220,000.00	\$ 359,267.50	\$ 1,579,267.50
2014	1,275,000.00	302,492.50	1,577,492.50
2015	1,340,000.00	241,677.50	1,581,677.50
2016	1,405,000.00	176,818.75	1,581,818.75
2017	1,475,000.00	108,418.75	1,583,418.75
2018-2022	1,545,000.00	36,693.75	1,581,693.75
2023-2027	-	-	-
2028-2032	-	-	-
<b>Total</b>	<b>\$ 8,260,000.00</b>	<b>\$ 1,225,368.75</b>	<b>\$ 9,485,368.75</b>

Series 2011 Revenue Bonds			
Year Ending Aug. 31	Principal	Interest	Total
2013	\$ 960,000.00	\$ 1,717,237.50	\$ 2,677,237.50
2014	1,005,000.00	1,669,237.50	2,674,237.50
2015	1,060,000.00	1,618,987.50	2,678,987.50
2016	1,110,000.00	1,565,987.50	2,675,987.50
2017	1,165,000.00	1,510,487.50	2,675,487.50
2018-2022	6,855,000.00	6,528,975.02	13,383,975.02
2023-2027	9,115,000.00	4,269,400.02	13,384,400.02
2028-2032	7,055,000.00	973,012.50	8,028,012.50
<b>Total</b>	<b>\$ 28,325,000.00</b>	<b>\$ 19,853,325.04</b>	<b>\$ 48,178,325.04</b>

Series 2004 Revenue Bonds			
Year Ending Aug. 31	Principal	Interest	Total
2013	\$ 425,000.00	\$ 31,367.50	\$ 456,367.50
2014	440,000.00	16,280.00	456,280.00
2015	-	-	-
2016	-	-	-
2017	-	-	-
<b>Total</b>	<b>\$ 865,000.00</b>	<b>\$ 47,647.50</b>	<b>\$ 912,647.50</b>

Series 1998 A-2 Improvement Bonds		
Principal	Interest	Total
\$ 1,015,000.00	\$ 241,234.38	\$ 1,256,234.38
1,070,000.00	187,806.25	1,257,806.25
1,125,000.00	131,559.38	1,256,559.38
1,185,000.00	72,365.63	1,257,365.63
840,000.00	21,000.00	861,000.00
-	-	-
-	-	-
-	-	-
<b>\$ 5,235,000.00</b>	<b>\$ 653,965.64</b>	<b>\$ 5,888,965.64</b>

Series 2002 Revenue Bonds		
Principal	Interest	Total
\$ 2,325,000.00	\$ 1,543,237.50	\$ 3,868,237.50
2,440,000.00	1,424,987.50	3,864,987.50
2,580,000.00	1,286,937.50	3,866,937.50
2,725,000.00	1,141,050.00	3,866,050.00
2,880,000.00	986,912.50	3,866,912.50
17,005,000.00	2,327,406.25	19,332,406.25
-	-	-
<b>\$ 29,955,000.00</b>	<b>\$ 8,710,531.25</b>	<b>\$ 38,665,531.25</b>

Series 2004 Constitutional Appropriation Bonds		
Principal	Interest	Total
\$ 1,250,000.00	\$ 102,200.00	\$ 1,352,200.00
1,305,000.00	52,200.00	1,357,200.00
-	-	-
-	-	-
-	-	-
<b>\$ 2,555,000.00</b>	<b>\$ 154,400.00</b>	<b>\$ 2,709,400.00</b>

Series 1998 B Improvement Bonds		
Principal	Interest	Total
\$ 530,000.00	\$ 384,475.01	\$ 914,475.01
555,000.00	356,671.88	911,671.88
585,000.00	327,459.38	912,459.38
615,000.00	296,709.38	911,709.38
650,000.00	265,512.50	915,512.50
3,730,000.00	832,187.50	4,562,187.50
1,750,000.00	79,650.00	1,829,650.00
-	-	-
<b>\$ 8,415,000.00</b>	<b>\$ 2,542,665.65</b>	<b>\$ 10,957,665.65</b>

Series 2003 Revenue Bonds		
Principal	Interest	Total
\$ 1,345,000.00	\$ 946,025.00	\$ 2,291,025.00
1,410,000.00	885,500.00	2,295,500.00
1,480,000.00	815,000.00	2,295,000.00
1,555,000.00	741,000.00	2,296,000.00
1,630,000.00	663,250.00	2,293,250.00
9,450,000.00	2,010,000.00	11,460,000.00
2,185,000.00	109,250.00	2,294,250.00
<b>\$ 19,055,000.00</b>	<b>\$ 6,170,025.00</b>	<b>\$ 25,225,025.00</b>

Series 2005 Constitutional Appropriation Bonds		
Principal	Interest	Total
\$ 3,710,000.00	\$ 389,200.00	\$ 4,099,200.00
3,860,000.00	237,800.00	4,097,800.00
4,015,000.00	80,300.00	4,095,300.00
-	-	-
<b>\$ 11,585,000.00</b>	<b>\$ 707,300.00</b>	<b>\$ 12,292,300.00</b>



# TEXAS SOUTHERN UNIVERSITY

(An Agency of the State of Texas)

## SCHEDULE 2D - ANALYSIS OF FUND AVAILABLE FOR DEBT SERVICE

For the Year Ended August 31, 2012

### Business-Type Activities

	<u>Application of Funds</u>	
	<u>Principal</u>	<u>Interest</u>
<b>General Obligation Bonds</b>		
Constitutional Appropriation Bonds, Series 2004 and 2005	\$ 4,770,000.00	\$ 685,000.00
Total	<u>\$ 4,770,000.00</u>	<u>\$ 685,000.00</u>

	<u>Pledged and Other Sources and Related Expenditures for FY 2012</u>			
	<u>Net Available for Debt Service</u>	<u>Debt Service</u>		
		<u>Operating Expenses/ Expenditures and Capital Outlay</u>	<u>Principal</u>	<u>Interest</u>
<b>Revenue Bonds</b>				
BOND SERIES 98A1-A2&B&C, 2002,2003&2004	\$ 90,628,459.49	\$ 61,024,916.50	\$ 7,480,000.00	\$ 5,567,339.40
Total	<u>\$ 90,628,459.49</u>	<u>\$ 61,024,916.50</u>	<u>\$ 7,480,000.00</u>	<u>\$ 5,567,339.40</u>